

# Senate File 530 - Introduced

SENATE FILE 530

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 169)

(COMPANION TO HF 252 BY WENTHE)

## A BILL FOR

- 1 An Act relating to the family farm property tax credit by
- 2 providing for eligible entities and including effective date
- 3 and applicability provisions.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 425A.2, subsection 4, Code 2011, is  
2 amended by adding the following new paragraphs:

3 NEW PARAGRAPH. *Od.* If the owner is a family farm limited  
4 liability company, a family member who is a member of the  
5 family farm limited liability company or the member's spouse.

6 NEW PARAGRAPH. *Oe.* If the owner is an authorized limited  
7 liability company, a member who holds at least fifty-one  
8 percent of all membership interests in the authorized limited  
9 liability company, or the member's spouse.

10 NEW PARAGRAPH. *Of.* If the owner is an individual who leases  
11 the tract to a family farm limited liability company, a member  
12 of the family farm limited liability company if the combined  
13 interests of the family farm limited liability company held  
14 by the owner of the tract and persons related to the owner as  
15 enumerated in paragraph "a" is equal to at least fifty-one  
16 percent of the interests of the family farm limited liability  
17 company.

18 Sec. 2. Section 425A.2, subsection 6, paragraph f, Code  
19 2011, is amended to read as follows:

20 *f.* A family farm corporation ~~or~~, family farm limited  
21 liability company, authorized farm corporation, ~~as both are or~~  
22 authorized limited liability company, as defined in section  
23 9H.1, which owns the agricultural land.

24 Sec. 3. EFFECTIVE DATE AND APPLICABILITY. This Act takes  
25 effect January 1, 2012, and applies to family farm limited  
26 liability company and authorized limited liability company tax  
27 credit claims filed on or after that date.

28 EXPLANATION

29 This bill amends Code chapter 425A which creates a family  
30 farm tax credit which benefits an owner of agricultural land  
31 located in a school district in which the levy for its general  
32 school fund exceeds \$5.40 per thousand dollars of assessed  
33 value. There are two general requirements. First, the owner  
34 must be an individual or an eligible corporate entity. Second,  
35 the agricultural land must be farmed by a "designated person"

1 who is limited to the owner or a person related to the owner.

2 OWNERSHIP. The bill increases the number of eligible  
3 corporate entities entitled to claim the tax credit. Currently  
4 the tax credit can be claimed by a family farm corporation or  
5 an authorized farm corporation which are both exempt from the  
6 provisions of Code chapter 9H, prohibiting corporate entities  
7 from holding agricultural land.

8 CONDITIONS. The bill provides that a family farm limited  
9 liability company must comply with the same conditions as a  
10 family farm corporation. It must be founded for the purpose  
11 of farming and the ownership of agricultural land; a majority  
12 of the members must be related; all the members must be  
13 individuals, or acting in a fiduciary capacity for individuals;  
14 and 60 percent of its gross revenues over the last three years  
15 must come from farming. An authorized limited liability  
16 company must comply with the same conditions as an authorized  
17 farm corporation. It also must be founded for the purpose of  
18 farming and the ownership of agricultural land; there cannot be  
19 more than 25 members who must be individuals or persons acting  
20 in a fiduciary capacity for individuals; and it cannot hold  
21 more than 1,500 acres of agricultural land.

22 RESTRICTION ON LEASES. Code chapter 425A provides that an  
23 owner cannot qualify for the tax credit if the owner leases  
24 the agricultural land to another person. One exception  
25 applies when the owner is also a shareholder of a family farm  
26 corporation and leases the land to that entity. The bill  
27 provides that the same exception applies to an owner who is  
28 also a member of a family farm limited liability company. The  
29 owner leasing the agricultural land to a family farm limited  
30 liability company cannot qualify for the tax credit, unless a  
31 designated person is actually farming the agricultural land,  
32 and 51 percent or more of the total membership interest in the  
33 family farm limited liability company is held by the owner or  
34 the owner's relatives.

35 EFFECTIVE DATE. The bill takes effect January 1, 2012,

S.F. 530

1 and applies to a family farm limited liability company and  
2 authorized limited liability company tax credit filed on or  
3 after that date.